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RUEHNE/AMEMBASSY NEW DELHI 8102
RUEHFK/AMCONSUL FUKUOKA 7895
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C O N F I D E N T I A L TOKYO 005023

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E.O. 12958: DECL: 08/31/2016

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SUBJECT: NEW ANRE OIL AND GAS DIVISION DIRECTOR DISCUSSES
HOT SPOTS

Classified By: Charge d'affaires Joseph R. Donovan for reasons 1.4 (b,d).

¶1. (C) Summary. On August 29, Shin Hosaka, newly appointed director of the Petroleum and Natural Gas Division in the Agency for Natural Resources and Energy (ANRE) at the Ministry of Economy, Trade and Industry (METI), assessed that the situation involving the Azadegan field in Iran was far from resolution and still being intensely negotiated. He was perplexed by how India could possibly buy up all of Sakhalin I,s natural gas and ship it to India in the form of LNG given that there are no plans to convert any of the project,s natural gas to LNG. Hosaka said the Japanese government had no idea what to do about the East China Sea problem. He also opined that Minister Nikai was unlikely to remain at METI after the LDP Presidential election in September but given his connections he likely would receive one of the other Cabinet posts or one of the three top LDP leadership positions. End summary

¶2. (SBU) On August 29, Econoff paid a courtesy call on Shin Hosaka, new director of ANRE's Petroleum and Natural Gas Division. Hosaka has not served in the Energy Agency since 1987 when he first joined METI and he professed to be still learning his portfolio. He immediately brought up the Azadegan field in Iran but said he knew very little about it other than that INPEX was still in negotiations with National Iranian Oil Company. He was uncertain whether those negotiations would be completed by the September 22 deadline. Asked about financing for any new agreement, he told us that officially INPEX could not look for additional financing while negotiations were ongoing but he added that discussions were taking place unofficially.

¶3. (SBU) Hosaka said METI was very concerned about new Chinese activities in the East China Sea and -- in an unguardedly frank moment -- said the government had no idea what to do next. The new Chinese platform lies about 60 kilometers (approx. 37.5 miles) from the disputed border between the two countries' EEZs, but the underlying fields are believed to straddle the line. He noted that Japanese officials were concerned the oil and natural gas would be siphoned off before they had had an opportunity to exploit them. During the last meeting between Japanese and Chinese directors general, they agreed to have experts from both countries exchange data to further their understanding of the area. This data exchange is expected to take place at the next meeting but the date has yet to be determined.

¶4. (SBU) Hosaka professed bafflement at India,s plan, reported in the media, to buy up all of Sakhalin I,s natural gas and export it to India in the form of liquefied natural

gas (LNG). (Comment:Exxon Mobil, Sakhalin I,s operator, has told Econoff that none of the gas from the project would be liquefied and because of that Japan has decided not to buy any of it, despite its proximity and the fact that the consortium behind the project includes two Japanese companies. Without liquefaction, Japan has no way at present to purchase and import any of the gas. End Comment.)

15. (C) Hosaka had little to say about Prime Minister Koizumi,s visit to Central Asia other than to tell us that INPEX was building a new facility on the Caspian Sea.

16. (C) Asked who METI,s next minister might be, Hosaka had no answer but he did comment that Minister Nikai was very well connected and close to LDP presidential hopeful Shinzo Abe. Hosaka expected that Nikai would either be appointed to Abe,s Cabinet or receive one of the top three LDP leadership posts. (Comment: we have heard similar forecasts from a number of senior METI officials recently regarding Nikai,s purported closeness to Abe and probable receipt of another high post in the next government. A contrarian senior LDP dietmember told us recently, however, that many in the LDP see Nikai as exceptionally self-centered and that his 12-year departure from the party -- from 1993 to 2005 -- will not be rewarded with another ministerial appointment anytime soon. End comment.)
DONOVAN